

Message Text

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PAGE 01 GENOA 00290 011514Z

53

ACTION EUR-12

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FM AMCONSUL GENOA

TO AMEMBASSY ROME PRIORITY

INFO SECSTATE WASHDC PRIORITY 1449

UNCLAS GENOA 0290

E.O. 11652: N/A

TAGS: BBAK, ELAB, IT

SUBJ: FUTURE OF GENERAL FOODS SUBSIDIARY IN DOUBT

REF: GENOA 0277 AND 0265

1. EVIDENTLY FEARING THEY WILL SHARE FAE OF TORRINGTON WORKERS (REFTELS), EMPLOYEES OF ELAH S.P.A., A GENERAL FOODS CORP. WHOLLY-OWNED SUBSIDIARY IN GENOA EMPLOYING ABOUT 500, BROUGHT COMPANY S TROUBLES INTO PUBLIC FOCUS ONJUNE 30 BY GOING ON STRIKE AND MARCHING ON THE GENOA CITY HALL. DEMONSTRATORS MET WITH MAYOR AND REPRESENTAIVE INDUSTRIALIST ASSOCIATION.

2. MANAGEMENT SOURCES INDICATE THAT FIRM, A PRODUCER OF CANDY AND CHEWING GUM, HAS CONTENTED WITH A DIFFICULT MARKET SITUATION FOR SEVERAL YEARS. FIRM S POSITION WEAKENED EVEN MORE THIS YEAR WHEN DEMAND, IN TERMS OF WEIGHT OF PRODUCT SOLD, FELL 30 PERCENT. ELAH RESORTED TO WAGE SUPPLEMENT FUND (CASSA D INTEGRAZIONE) LAST WINTER AND, AFTER A BRIEF RESPITE, AGAIN IN JUNE. APPROXIMATELY 350 BLUE COLLAR WORKERS AT TWO PLANTS PRESENTLY USING WAGE SUPPLEMENT FUND 16 HOURS PER WEEK.

UNCLASSIFIED

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PAGE 02 GENOA 00290 011514Z

3. ELAH MANAGEMENT HAS KEPT WORKER REPRESENTATIVES FULLY INFORMED ON SITUATION. GENERAL FOODS UNDERSTANDABLY UNHAPPY WITH NEGATIVE CASH FLOWS AND HAS BEEN INVESTIGATING FUTURE ALTERNATIVES. IN JUNE, MANAGING DIRECTOR PROMISED HE WOULD PRESENT GENERAL FOODS PLAN FOR ELAH S FUTURE TO THE WORKERS DURING JULY. PRESENT AGITATION RESULTS FROM WORKER ANTICIPATION OF NEGATIVE NEWS FROM GENERAL FOODS.

4. THE MARCH ON GENOA CITY HALL RESULTED IN CONSIDERABLE PUBLICITY, SOME BALANCED AND SOME REFLECTING UNFAVORABLY AND IN SENSATIONAL MANNER ON U.S. IL LAVORO OF JULY 1 HEADLINED QUOTE ELAH: NO TO THE AMERICAN COUP UNQUOTE. ARTICLE WHICH FOLLOWED GAVE IMPRESSION LIQUIDATION OF ELAH ALL BUT CERTAIN AND THAT GENERAL FOODS AT FAULT FOR HAVING FAILED TO INVEST SUFFICIENTLY IN ELAH S CAPITAL PLANT.

5. GENERAL FOODS REPRESENTATIVES PRESENTLY CONSULTING WITH ELAH MANAGEMENT ON SITUATION. UNDERSTAND ITALIAN GOVERNMENT HAS BEEN KEPT INFORMED. FURTHER REPORT MAY BE POSSIBLE AFTER MEETING BETWEEN CONSULAR OFFICER AND ELAH MANAGING DIRECTOR EVENING JULY 1. BRUNO

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